



International Agricultural Trade Report

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Turkey: Red Herring Excuse for Falling Wheat Prices

Summary

Low-priced Turkish wheat exports over the last six months have generated concern about Turkey's role as a price setter in the highly competitive Mediterranean area. Those concerns are unfounded, if not blatantly false and misleading.

Turkish Exports Aren't Large Enough to Influence World Prices

Last year, Turkish wheat and wheat product exports accounted for less than 2 percent of world trade and only half of these sales, done by TMO (Turkish Grain Board), were wheat. Intermittent volumes of low-quality wheat are routinely traded, and this year is no different. The expected rise in Turkish shipments in 1998/99, from 1.5 to 2.0 million tons, merely offsets lower availability in several other minor players. Combined exports by these countries regularly account for 10 percent of world trade.

Destinations Limited to Back Yard Neighbors

Historically, Turkey accounts for less than 5 percent of imports by neighboring markets, such as the former Soviet Union and other Mediterranean countries. However, Turkish wheat has recently been making its way into traditional U.S. and EU markets (Algeria, Pakistan, and possibly Egypt), owing to the deep discounts for variable quality.

Poor Quality Results in Low Prices

Turkish wheat is usually poor or variable quality and therefore must be priced about \$10-20/ton below other suppliers to be attractive to foreign buyers.

An Excuse for EU Pricing?

The EU claims that their "subsidy restraint" will largely depend on Turkey's price aggressiveness, but that is difficult to see when they have such a small share of the market and their wheat quality is generally considered to be inferior to the EU.

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